

JOINT ISSUES COMMITTEE

Governor's Office
State Capitol
Helena, MT 59620

APRIL 3, 2006

The first meeting of the Joint Issues Committee was called to order by Budget Director Ewer at 1:00 p.m. Monday, April 3rd, in the Office of Budget and Program Planning conference room. Roll call was taken with all members of the Committee being present except Carole Carey, PERB who was represented by Troy McGee.

Attending: John Paull and Troy McGee (Public Employees' Retirement Board)
Roxanne Minnehan, PERB Executive Director
Terry Cohea and Jack Prothero (Board of Investments)
Carroll South, BOI Executive Director
Tim Ryan and Scott Dubbs (Teachers' Retirement Board)
David Senn, TRS Executive Director
David Ewer, Budget Director

Vistors: Mark Johnson, Actuary with Milliman
Melanie Symons, PERB Legal Counsel
2 women from the OBPP

David Ewer introduced the Committee members and gave a brief overview of the purpose of the Committee. He stated that the Governor's Office was nearly successful in 2005 in not passing any legislation increasing retirement benefits without a matching increase in funding. Director Ewer further commented that early retirement incentives are difficult to support as they result in a loss of good employees and hurt the financial status of the retirement systems.

Executive Director Presentations

Carroll South, BOI Executive Director stated that the BOI would be focusing greater emphasis on investment returns. BOI is also working toward a more diverse array of investment funds and will be hiring 2 new managers in the near future. Mr. South stated that he had never been invited to a legislative committee meeting to discuss proposed retirement benefit increases. In the future, he intends to attend all such meetings as he believes all 3 Executive Directors should be involved.

Roxanne Minnehan, PERB Executive Director presented an Overview of the PERB and the retirement systems it administers. The overview included Board member information, retirement system highlights, and legislative changes to the retirement systems over the past 6 years. Ms. Minnehan's handout accompanies these minutes.

David Senn, TERS Executive Director presented an overview of TRS, including system demographics, Board member information, financial highlights and major statutory revisions. Mr. Senn's handout accompanies these minutes.

Understanding Actuarial Valuations

The PERB's actuary, Mark Johnson, gave a presentation on Understanding Actuarial Valuations to the Committee. Mr. Johnson's handout accompanies these minutes.

In response to questions, Mr. Johnson indicated that in some states, the Retirement Board determines the amount of employer contributions required to be actuarially funded. ERISA requires that an actuary develop the actuarial assumptions required to administer retirement systems.

An Asset Liability Study for TRS will be presented at the May 18th BOI meeting. Committee members are encouraged to attend. Asset allocations will also be discussed. Questions arose regarding the difference between TRS's (7 ¾%) and PERB's (8%) assumed funding rates. Mr. Johnson discussed return targets for BOI, indicating that returns of 7 to 8 ¼% are seen as optimums.

Mr. South commented that BOI's target return rates match the retirement boards' assumptions. If those assumptions are not met, contributions must be increased. Mr. Johnson found this position to be problematic, stating that BOI's peers are not taking this stance and that it is not consistent with a prudent investor.

Public Comment – none (that I remember anyway).

Discussion of Duties and Responsibilities

Mr. Ewer informed the Committee that Executive Planning Process information is due May 1 and SAVA wants legislative ideas by June 9th.

David Senn mentioned that the BOI is hiring an internal auditor. Mr. Senn believes it would be helpful to review each other's legislative audit reports on a regular basis.

Committee members agreed they would like the 3 entities to achieve similar education and knowledge, and to develop a consensus (and the Governor's commitment) to legislative proposals. Mr. Prothero is interested in avoiding "the blame game". The 3 Boards should work together for the benefit of the citizens of Montana.

Mr. Ryan commented that the logistical challenges associated with this Committee are huge. The Committee members should attend each other's Board meetings and assist in Diffusing the blame issue. The Committee should be an agent of positive change.

Melanie Symons, PERB Legal Counsel, gave a brief presentation comparing the 3 Boards. Her handout is attached to these minutes.

Staffing needs were then discussed. Mr. Ewer stated that he and the 3 Executive Directors would work on a plan. Meanwhile Mr. Ewer was elected ex officio chair of the Committee.

The next Joint Issues Committee meeting will coincide with BOI's May 18th meeting regarding TRS's asset allocations. Mr. Dubbs would like to discuss SAVA legislation. Mr. Paull agreed, suggesting that the Committee should meet to discuss and reach agreement on legislative proposals prior the Legislature convening.

The meeting then adjourned.